

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0788-02
Bill No.: HB 366
Subject: Elderly; Retirement Systems and Benefits - General; Revenue Dept.; Taxation and Revenue - General and Income
Type: Original
Date: February 23, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0	\$1,616,490	\$1,616,490
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$1,616,490	\$1,616,490

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

In a similar prior proposal, officials of the **Department of Revenue (DOR)** stated this legislation clarifies that the pension exemption will apply only when the pension is included in the taxpayers federal adjusted gross income and not otherwise subtracted. This proposal would have little or no administrative impact to DOR.

Officials of the **Office of Administration, Budget and Planning (BAP)** state that currently taxpayers that have Railroad Retirement Benefits can subtract their retirement benefits from their adjusted gross income on their Missouri income tax return. These same taxpayers may currently also take the pension exemption on the Missouri income tax return. This proposal does not allow the pension exemption for Railroad Retirement Benefits, because they are already excluded from adjusted gross income. This would eliminate deducting the benefits twice.

According to Table 545 in the 1999 Statistical Abstract, Railroad Retirement Benefits are \$8 billion nationally. BAP staff assume that 1.9% of this total is paid to Missourians. A 4.5% marginal tax rate was assumed.

According to the actuary section of the Railroad Retirement Board, there are approximately 315,100 railroad retirees nationally. Dividing \$8 billion by the 315,100 retirees yields an average pension of \$25,400 annually. **Oversight** assumes that 1.9% of the 315,100 retirees (5,987) are located in Missouri. The maximum amount of the pension exemption is \$6,000. **Oversight** has calculated the revenue impact of this proposal by multiplying the \$6,000 by 5,987 retirees and assuming a 4.5% marginal tax rate. This would yield a savings of \$1,616,490 annually by eliminating the ability to deduct Railroad Retirement Benefits twice.

This proposal would result in an increase in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Savings</u> to General Revenue Fund			
Elimination of Railroad Retirement Benefits being deducted twice	\$0	<u>\$1,616,490</u>	<u>\$1,616,490</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$1,616,490</u>	<u>\$1,616,490</u>

FISCAL IMPACT - Local Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill adds a provision to state income tax law that disallows a deduction for an annuity, pension, or retirement allowance to the extent the amount is excluded from federal adjusted gross income or is otherwise deducted from the calculation of state taxable income.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Budget and Planning
Railroad Retirement Board



Jeanne Jarrett, CPA
Director

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